

filing will also be available for inspection and copying at the principal office of MSTC. All submissions should refer to File No. SR-MSTC-94-19 and should be submitted by February 24, 1995.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-MSTC-94-19) be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>9</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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[Release No. 34-35287; File No. SR-NYSE-39; SR-Phlx-94-29; SR-PSE-94-34; SR-BSE-94-15; SR-CHX-94-28; SR-NASD-94-67; SR-CBOE-94-55]

**Self-Regulatory Organizations; New York Stock Exchange, Inc., Philadelphia Stock Exchange, Inc., Pacific Stock Exchange, Inc., Boston Stock Exchange, Inc., Chicago Stock Exchange, Inc., National Association of Securities Dealers, Inc., and Chicago Board Options Exchange; Order Granting Accelerated Approval to Proposed Rule Change Adopting Rules for Short Position Reporting**

January 27, 1995.

On October 27, 1994, the New York Stock Exchange, Inc. ("NYSE"), October 20, 1994, the Philadelphia Stock Exchange, Inc. ("Phlx"), November 23, 1994, the Pacific Stock Exchange, Inc. ("PSE"), November 28, 1994, the Boston Stock Exchange, Inc. ("BSE"), December 12, 1994, the Chicago Stock Exchange, Inc. ("CHX"), December 2, 1994, the National Association of Securities Dealers, Inc. ("NASD"),<sup>1</sup> and on January 3, 1995, the Chicago Board Options Exchange ("CBOE") (collectively, the "SROs") submitted to the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> proposed rule changes to

facilitate uniform short position reporting requirements.<sup>4</sup>

The proposed rule change filed by the CBOE was published for comment in Securities Exchange Act Release No. 35227 (January 13, 1995), 60 FR 4208 (January 20, 1995). In addition, all of the other proposed rule changes were published for comment in Securities Exchange Act Release No. 35147 (December 23, 1994), 60 FR 518 (January 4, 1995). No comments were received on the proposal from either notice publication.

The proposed rule changes emanated from an initiative by the SROs, as Intermarket Surveillance Group ("ISG")<sup>5</sup> members, to ensure uniform short position reporting in U.S. traded securities.<sup>6</sup> Although the specific language of each proposed rule change differs slightly, the goal of the SROs is uniform in proposing the adoption of the above referenced rules. Generally, the SROs' goal is to ensure that a broker-dealer registered in the United States reports its open short positions to the SRO that is the broker-dealer's Designated Examining Authority ("DEA"). If the particular broker-dealer's DEA does not have rules governing the reporting of short interest positions, then the broker-dealer is to report to another SRO of which it is a member. Non-self-clearing broker-dealers, however, will be considered to have satisfied their reporting requirements by making the appropriate clearing organizations.

Substantively, the new reporting requirements will continue to include stocks and warrants, including odd lots, in each such security traded on a United States securities exchange or association. Further, the reports will continue to include both customer and proprietary positions, and for those broker-dealers with more than one "account" with a short position in the same stock or warrant, the combined

aggregate should be reported. In this regard, the Commission notes that like accounts should be netted, and then multiple accounts should be aggregated.<sup>7</sup>

The format, time, and method of reporting will be prescribed by each SRO receiving short interest data.<sup>8</sup> Each such SRO will electronically send the data to the Securities Industry Automation Corporation ("SIAC").<sup>9</sup> With respect to listed securities, SIAC will in turn consolidate all data in each security to generate a number representing the national short position in each such security. The NASD, however, will be performing this function with respect to Nasdaq securities. All Nasdaq short interest will be reported to the NASD by its members. Firms not members of the NASD will report their short interest positions in Nasdaq securities to an SRO, which will forward it to SIAC, which will then forward Nasdaq data to the NASD. The NASD will compile all short interest data in Nasdaq securities and send it, along with a consolidated national short interest position for each security, to SIAC for dissemination purposes.

Several exceptions to the general requirements outlined above are clarified in the ISG circular to members entitled "Consolidated Reporting of Short Interest Positions." First, members and member organizations for which the CHX is the DEA, and who are self-clearing members of the Midwest Clearing Corporation ("MCC"), will have their reporting requirement satisfied automatically through the CHX's ability to capture the required information from the MCC. Further,

<sup>7</sup> The aggregation requirement, however, does not include the netting of short interest against long in a given security across "non-like" accounts. For example, if a broker dealer has three accounts for different customers, and account 1 has short interest of 100 shares, account 2 has short interest of 225 shares, and account 3 is long 150 shares, the broker dealer shall report short interest of 325, not 175. See CHX proposed Article XI, Rule 9, Interpretation and Policy .01. If, however, in the above example account 1 was the firm's customer account, and accounts 2 and 3 were the firm's proprietary accounts, then the firm would net accounts 2 and 3 to ascertain its proprietary account position (in this case short 75 shares). The firm would then report the aggregate of its customer account short interest position of 100 shares and its proprietary short interest position of 75 shares—175 shares short in total—for the firm in the particular security.

<sup>8</sup> Monthly reporting will remain in effect for the present but more frequent reporting might be initiated in the future. See Circular sent by the ISG to all members and member organizations titled "Consolidated Reporting of Short Interest Positions."

<sup>9</sup> SIAC is a jointly owned subsidiary of the NYSE and the Amex. Among other things, it handles the majority of the automation needs of the ISG.

<sup>9</sup> 17 CFR 200.30-3(a)(12) (1994).

<sup>1</sup> In addition, the NASD filed Amendment No. 1 on January 11, 1995, to clarify who must report to the NASD, what the entities must report, and the mechanics of how to transmit such report. Because the Amendment does not substantively change the proposal, the Commission is not publishing it for comment. See letter from Joan C. Conley, Secretary, NASD, to Mark Barracca, Attorney, SEC, dated January 11, 1995.

<sup>2</sup> 15 U.S.C. 78s(b)(1) (1988).

<sup>3</sup> 17 CFR 240.19b-4 (1991).

<sup>4</sup> "Short" positions to be reported are those resulting from "short" sales as defined in SEC Rule 3b-3, but excludes positions resulting from sales specified in clauses (1), (6), (7), (8), (9) and (10) of paragraph (e) of SEC Rule 10a-1. Also to be excluded are "short" positions carried for other members and member organizations reporting for themselves.

<sup>5</sup> ISG was formed on July 14, 1983 to, among other things, coordinate more effectively surveillance and investigative information sharing arrangements. See Intermarket Surveillance Group Agreement, July 14, 1983.

<sup>6</sup> Specifically: (1) The BSE is adding § 38 to Chapter II of its Rules; (2) the CBOE is adopting interpretation and policy .02 to its Rule 15.1; (3) the CHX is adopting Article XI, Rule 9, and an interpretation thereto; (4) the NASD is amending Article III, Section 41; (5) the NYSE is amending Rule 421; (6) the PSE is adopting Rule 2.6(f); and (7) the Phlx is adopting Rule 786.

certain CHX members which trade Nasdaq National Market System securities as specialists may be required by the CHX to report their short interest positions in those securities directly to the NASD.

Second, short interest position information for member organizations which act as specialists on the BSE, PSE or Phlx, will be processed by the clearing corporations utilized by these organizations.

Third, pursuant to an amendment of CBOE Rule 15.1, clearing members of the CBOE for which the CBOE is the DEA, will be required to report any short interest positions to another exchange or the NASD, even if solely a member of the CBOE. The CBOE will designate an exchange or the NASD to receive such reports on a case-by-case basis.<sup>10</sup>

Fourth, the Amex will be sending out a circular to its members informing them of the new requirements. The Amex did not submit a new filing because it is relying on the general language in its Rule 30 to encompass the proposal at hand.<sup>11</sup>

The new reporting requirements being approved herein will be tested by SIAC and the ISG members during the months of March and April, 1995. Testing will be conducted to ensure the reliability of the new reporting requirements, but the new figures will not be reported to the public. During the test period, broker-dealers currently subject to a reporting requirement must report open short interest positions under both the new reporting requirements and such current reporting requirement. After this test period, the new reporting requirements will be the only reporting requirements, and will be mandatory for all short positions. Thus, beginning in May, 1995, all broker-dealers will be reporting open short positions to an SRO under the new requirements. The national numbers generated as of that date will be reported to the public.

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder

applicable to a national securities exchange, and, in particular, with the requirements of Sections 6(b) and 15A.<sup>12</sup> In particular, the Commission believes the proposal is consistent with the Section 6(b)(5) and 15A(b)(6) requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, and, in general, to protect investors and the public, in that the proposal should enhance the ability of the SROs, both collectively and individually, to monitor short interest reporting, and to reinforce their regulatory and surveillance capabilities in this area. In this regard, the Commission commends the ISG in recognizing that consolidated short interest figures, that would include the regional exchanges, would serve as an important surveillance tool to monitor trading activity. Further, the Commission believes that uniform short interest reporting requirements, and subsequent aggregation and reporting by SIAC, will enable the public to make more informed investment decisions in the United States market.

Finally, the Commission finds good cause for approving the proposed rule changes prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register**. The Commission believes that accelerated approval of the proposal is appropriate in order to allow the SROs to inform their members about the new short interest reporting rules and how the new reporting requirements will be tested and implemented. Further, shortly after the approval date hereof, a circular will be sent out by the ISG, as indicated above, which will contain some additional clarifying information. The Commission notes that the new procedures were noticed in the **Federal Register** for the full statutory period and the Commission did not receive any comments on it. Although the CBOE filing was not published for the full period, the Commission notes that the intent of all of the proposals encompassed herein is the same. To facilitate the orderly implementation of the changes in short interest reporting requirements, the Commission is approving all filings simultaneously.

*It Is Therefore Ordered*, pursuant to Section 19(b)(2) of the Act,<sup>13</sup> that the proposed rule changes (SR-NYSE-94-39; SR-Phlx-94-29; SR-PSE-94-34; SR-BSE-94-15; SR-CHX-94-28; SR-NASD-94-67; SR-CBOE-94-55) are approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>14</sup>

**Margaret H. McFarland,**  
*Deputy Secretary.*

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[Rel. No. IC-20867; File No. 812-9320]

## G.T. Global Growth Series; Notice of Application

January 27, 1995.

**AGENCY:** Securities and Exchange Commission ("SEC").

**ACTION:** Notice of Application for Exemption under the Investment Company Act of 1940 ("the Act").

**APPLICANTS:** G.T. Global Growth Series ("Growth Series"), G.T. Investment Funds, Inc. ("Investment Funds"), G.T. Investment Portfolios, Inc. ("Investment Portfolios"), G.T. Capital Management, Inc. (the "Adviser"), and G.T. Global Financial Services, Inc. ("Distributor").

**RELEVANT ACT SECTIONS:** Order requested under section 6(c) of the Act exempting applicants from sections 2(a)(32), 2(a)(35), 18(f)(1), 18(g), 18(i), 22(c), and 22(d) of the Act and rule 22c-1 thereunder.

**SUMMARY OF APPLICATION:** Applicants request an order that would permit certain investment companies to issue multiple classes of shares representing interests in the same portfolios of securities and assess, and under certain circumstances waive, a contingent deferred sales charge ("CDSC") on redemptions of shares.

**FILING DATES:** The application was filed on November 4, 1994, and amended on January 5, 1995.

**HEARING OR NOTIFICATION OF HEARING:** An order granting the application will be issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on February 21, 1995, and should be accompanied by proof of service on applicants, in the form of an affidavit, or for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons may request notification of a hearing by writing to the SEC's Secretary.

**ADDRESSES:** Secretary, SEC, 450 5th Street NW., Washington, DC 20549.

<sup>10</sup> The CBOE and NASD have represented to the Commission that currently this exception applies to only one firm. That firm will be reporting to the NASD pursuant to an agreement between the CBOE and the NASD. Conversations between Amy Bilbija, Attorney, SEC, and Jim Cangiano, NASD, on January 23, 1995; and Jeff Schroer, CBOE, on January 23, 1995.

<sup>11</sup> See Amex Rule 30 requiring every member to file with the Amex such periodic reports or special reports as the Board of Governors may authorize. The Amex currently requires short interest position reporting of its membership pursuant to this Rule, and will continue to rely on this Rule to require the new reporting.

<sup>12</sup> 15 U.S.C. §§ 78f(b), 78o-3 (1988).

<sup>13</sup> 15 U.S.C. § 78s(b)(2) (1988).

<sup>14</sup> 17 CFR 200.30-3(a)(12) (1991).